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TO : Chief of Station, [REDACTED]

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FROM : [REDACTED]

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SUBJECT: Financial Property Accounting Procedure

I. Purpose of Visit

As part of the Headquarters program to simplify financial property accounting procedures, visits are being made to each station or base maintaining such procedures for the purpose of studying the procedures and operations in order to identify problem areas and areas in which further simplifications can be made.

2. Background and Purposes of Financial Property Accounting Procedure

- a. Government-wide policy for improvement of financial management contemplates that as soon as practicable the budgets of all Governmental Agencies shall be developed on a cost basis rather than based upon obligations and expenditures as at present. This change was recommended by two "Hoover Commissions" established to review overall Government operations and is now mandatory for application in all Governmental Agencies as soon as practicable based upon Public Law 863 enacted in August 1956. This law also requires as one of the bases for cost budgeting that each Governmental Agency establish as soon as practicable "adequate monetary property accounting" integrated with its regular financial accounts.
- b. KUBARK headquarters, in recognition of the need to improve financial management in the Organization, commenced in 1952 the establishment of monetary property accounting designed to accomplish the following major objectives:
 - (1) To state materiel requirements and property inventories in a common denominator (the U.S. Dollar) for purposes of planning and budgeting to support operations.
 - (2) To provide cost data on materiel usage by operational projects and other activities.
 - (3) To provide bases for controlling property issues within approved authorizations.

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- (4) To improve control over Organization assets by establishing monetary accounts covering property on hand and in use.
- (5) To provide a firm basis for audit of Organization property transactions.
- (6) To provide a basis for requesting authority to implement an Organization stock fund.

The procedures established for financial property accounting at field installations on a manual basis were first installed as of 1 October 1955 in the ME area and as of 1 April 1956 in the PR area. Based upon operations of such procedures to date, Headquarters recognizes the need for adopting simplifications in order to reduce to the minimum the workload required by the financial property accounting procedures at field installations and still accomplish the above objectives.

3. Headquarters Action to Simplify Procedures

- a. Based upon recommendations from field areas and visits by Headquarters personnel to the field, the following listed simplifications have been authorized:
 - (1) The exemption of certain categories of property from application of financial property accounting procedures.
 - (2) Elimination of the "In Transit" account by establishing control at headquarters instead of in the field over shipments to and from headquarters and between field locations.
 - (3) Use of fixed unit prices based upon local acquisition costs for all property acquired locally; establishment of unit prices in whole cents instead of mills as heretofore; and elimination of changes in fixed unit prices for minor changes in catalog prices or acquisition costs.
 - (4) Permission to write-off minor unreconciled differences (not to exceed \$100.00 in each material group for each reconciliation) between financial property accounts and the extended values of the stock record cards.
 - (5) Reduction in number of items of nonexpendable property.

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4. Findings and Accomplishments

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- a. We found that the FPA procedures are functioning more effectively at the [redacted] Station than at any other location in the Far East. This is particularly significant in view of the short time the procedures have been in operation at the Station (since 1 October 1956) and the extensive efforts being made by the Logistics Office to re-establish on its accountable records substantial amounts of material which heretofore had been dropped from accountable records.
- b. The Station has made the required reconciliations each month of the stock record cards representing property on hand with the related financial property accounts. Although the stock record cards representing property in use have not been reconciled with the related financial property accounts we have been assured that this matter will receive attention as soon as the Station completes its present program of picking up on its accountable records the material which heretofore has been dropped therefrom.
- c. The Station has already adopted or is in process of adopting the simplifications in the FPA procedures authorized by Headquarters.
- d. We reviewed and discussed the procedures and operations with interested Station personnel. Technical guidance was provided on numerous minor questions relating to the prescribed procedures. In the interest of further simplification we also discussed with them the feasibility of exempting certain additional categories of property having small unit values from application under the procedures, subject to further review and study at Headquarters. In addition, based upon discussion at the Station, it was concluded that, in order to permit the identification of all feasible costs directly against the allotments of the using projects or other elements, the cost of property procured locally for cash and issued immediately to operational projects or other elements will be charged directly to the allotments of such activities instead of as heretofore to the FK procurement allotment.
- e. Based upon our visit here and our visits to other stations,

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the methods to be followed in handling various types of transactions and in the preparation of required reports.

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5. General

We wish to express our appreciation to the Station for the cooperation accorded us in accomplishing the purpose of our visit. All personnel contacted by us were most helpful in providing us with necessary information and recommending changes to improve the FPA procedures.

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